

# HUMAN SERVICES

## 4130 Health and Human Services Agency Data Center

The Health and Human Services Agency Data Center (HHSDC) provides consolidated electronic data processing and project management for departments within the Health and Human Services Agency. The HHSDC has two components: Operations and Systems Management. The Operations component provides computer services, telecommunications support, information systems, and training support to departments in the Health and Human Services Agency. The Systems Management component manages five major projects for the Department of Social Services (DSS) and one project for the Employment Development Department (EDD).

The HHSDC is supported entirely by reimbursements from client departments. For the Systems Management projects, state and federal funding is budgeted in the DSS and EDD budgets, and then transferred to the HHSDC Revolving Fund.

Effective July 1, 2005, the budget proposes to eliminate the HHSDC and consolidate the Operations component and the Teale Data Center into the newly proposed Department of Technology Services (DTS). The budget also proposes to shift the HHSDC Systems Management component to the Health and Human Services Agency, Office of System Integration. This proposal is in response to Legislative direction in the 2003 Budget Act to consolidate data center activities.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Program Funding</b>				
Operations	\$122,955	\$0	-\$122,955	-100.0
Systems Management Services	\$203,170	\$0	-\$203,170	-100.0
<b>Source of Funding</b>				
HHSDC Revolving Fund	\$326,125	\$0	-\$326,125	-100.0
Total	\$326,125	\$0	-\$326,125	-100.0

### Highlights

- **Transfer HHSDC Systems Management to Health and Human Services (HHS) Agency.** Due to concerns about the high level of oversight needed to successfully implement and maintain large automation projects, the budget proposes to transfer the HHSDC Systems Management component to the HHS Agency.

- **Consolidate HHSDC Operations and Teale Data Center into Department of Technology Services.** The budget proposes to consolidate the HHSDC Operations component, the Teale Data Center, and certain functions of the Department of General Services into the DTS. The Administration intends to submit a Governor's Reorganization Plan to the Little Hoover Commission to reflect this consolidation. The Administration indicates that the DTS would be continuously appropriated.
- **Implement Child Welfare Services/Case Management System (CWS/CMS) Go Forward Plan.** The CWS/CMS provides database, case management, and reporting functions for the Child Welfare System. The budget provides \$121.1 million (\$60.1 million General Fund) for maintenance of the existing system and other newly required activities needed to maintain federal matching funds for this system. These activities, known as the "Go Forward" plan, include a technical architectural alternative analysis, migration of the application hosting to the HHSDC from a private vendor location, and other activities to determine if or how the CWS/CMS should be changed to meet federal standards. Budget year funding represents an increase of \$27.7 million (\$13.9 million General Fund), primarily due to Go Forward activities.
- **Procure Case Management, Information and Payrolling System (CMIPS) II Contract.** The existing CMIPS provides client case management and provider payrolling functions for the In-Home Supportive Services (IHSS) program. The budget includes \$13.7 million (\$6.8 million General Fund) for contract planning, procurement, and implementation activities. This represents an increase of \$12 million above the current year, which included only contract planning activities.
- **Continue Statewide Automated Welfare System (SAWS) Maintenance and Implementation Activities.** SAWS consists of five automation systems and a project management office that support eligibility determination and caseload tracking functions for Medi-Cal, California Work Opportunity and Responsibility to Kids (CalWORKs), Food Stamps, Foster Care, Refugee Resettlement, County Medical Services, and county General Assistance programs. The budget provides \$236.9 million (\$83.5 million General Fund) to maintain the four fully implemented SAWS systems and continue county conversion activities for the final automation project, the Welfare Client Data System (WCDS). Implementation activities for WCDS are scheduled to be completed in 2006-07.
- **Maintain Electronic Benefit Transfer (EBT) System.** The EBT system provides cash and food benefits to CalWORKs and Food Stamp clients via debit card technology and retailer point-of-sale terminals. The budget requests \$49.8 million (\$9.5 million General Fund) for ongoing system maintenance. This amount represents a \$7.6 million reduction, due to completion of implementation activities in July 2004.
- **Maintain Statewide Fingerprint Imaging System (SFIS).** The SFIS records fingerprints and photo images of CalWORKs and Food Stamp applicants to prevent duplicate aid payments. The budget requests \$8.0 General Fund to continue to maintain the SFIS.

**Issues**

- **Consolidation and Transfer of HHSDC Needs Further Review.** The budget proposes to eliminate the HHSDC, consolidate the Operations component into the newly proposed DTS, and shift the Systems Management component to the Health and Human Services Agency, Office of System Integration. In addition, the Administration intends to submit a Governor's Reorganization Plan to implement these changes. As the DSS provides most of the funding for the automation projects managed under the Systems Management component, and all but one of the projects serve programs administered by the DSS, management of these projects could be assumed by the DSS.

The Legislature may wish to consider whether to transfer the Systems Management component to the HHS Agency or the DSS. Establishment of the DTS is discussed further in the State Administration section of this document, under organization code 1955.

**4140 Office of Statewide Health Planning and Development**

The Office of Statewide Health Planning and Development (OSHPD) develops plans, policies, and programs to assist health care delivery systems. OSHPD has four major program areas: (1) healthcare cost and quality analysis; (2) healthcare workforce development; (3) facility/hospital development, including Cal-Mortgage Loan Insurance; and (4) health care information. Although total funding for OSHPD decreases by \$1.1 million (1.7 percent) compared to the current year, General Fund expenditures increase by \$2.0 million.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
General Fund	\$131	\$2,082	\$1,951	1489.3
Federal Trust Fund	1,345	1,241	-\$104	-7.7
Special Funds	57,661	55,690	-1,971	-3.4
Reimbursements	2,217	1,274	-943	-42.5
Total	\$61,354	\$60,287	-\$1,067	-1.7

**Highlights**

- **Use General Fund for Song Brown Program.** This program seeks to increase the number of family health care providers, particularly in underserved areas of the state. The budget continues to provide \$4.2 million total funds to maintain the Song Brown Program, but uses General Fund resources to support half of the program's costs. The remaining costs continue to be supported by the California Health Data and Planning Fund. In 2004-05 this program was funded entirely by the California Health Data and Planning Fund. However, the department indicates that this fund does not have sufficient resources to continue fully funding the Song Brown Program without increased revenue from hospital fees. The budget also requests to make permanent 2.0 existing limited-term positions for this program.

## 4170 California Department of Aging

The California Department of Aging (CDA) is the state agency designated to coordinate resources to meet the long term care needs of older individuals, to administer the federal Older Americans Act and the State Older Californians Act, and to work with Area Agencies on Aging to serve elderly and functionally impaired Californians. The department provides services under: (1) Senior Nutrition Services; (2) Senior Community Employment Services; (3) Supportive Services and Centers; and (4) Special Projects. The budget proposes \$187.8 million for 2005-06, a slight decrease compared to the current year.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
General Fund	\$35,155	\$35,207	\$52	0.1
State HICAP Fund	1,779	1,780	\$1	0.1
Federal Trust Fund	143,322	142,796	-526	-0.4
Special Deposit Account	1,552	1,573	21	1.4
Reimbursements	6,384	6,439	55	0.9
<b>Total</b>	<b>\$188,192</b>	<b>\$187,795</b>	<b>-\$397</b>	<b>-0.2</b>

### Highlights

- **Redirect Federal Funds for Medicare Consumer Information.** The budget proposes to use \$93,000 in existing federal funds to establish 1.0 permanent position to develop training and program standards for consumer information on the federal Medicare Modernization Act of 2003. That Act established prescription drug benefits and changed managed care options for Medicare beneficiaries. Although the CDA previously contracted with consultants to develop Medicare consumer information training and programs, it now indicates that the need for ongoing specialized expertise and closer management oversight requires a state position.

## 4200 Department of Alcohol and Drug Programs

The Department of Alcohol and Drug Programs (DADP) provides statewide leadership and oversight for local alcohol and drug intervention, prevention, detoxification, treatment and recovery services, including Drug Medi-Cal, Proposition 36 (the Substance Abuse and Crime Prevention Act of 2000), Drug Courts, and the Office of Problem Gambling. The budget proposes \$613.7 million (\$242.6 million General Fund) for 2005-06, an increase of 1.2 percent over the current year.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Program Funding</b>				
Prevention	\$71,322	\$71,331	\$9	0.0
Treatment and Recovery	489,678	497,475	\$7,797	1.6
Perinatal	45,195	45,123	-\$72	-0.2
<b>Source of Funding</b>				
General Fund	\$238,778	\$242,630	\$3,852	1.6
Driving-Under-the-Influence Program Licensing Fund	1,586	1,601	15	0.9
Narcotic Treatment Program Licensing Fund	1,131	1,321	190	16.8
Indian Gaming Special Distribution Fund	3,018	3,040	22	0.7
Audit Repayment Trust Fund	67	67	0	0.0
Federal Trust Fund	290,595	290,598	3	0.0
Resident Run Housing Revolving Fund	39	39	0	0.0
Reimbursements	72,753	76,007	3,254	4.5
Substance Abuse Treatment Trust Fund	228	374	146	64.0
Sale of Tobacco to Minors Control Account	-2,000	-2,000	0	0.0
Total	\$606,195	\$613,677	\$7,482	1.2

### Highlights

- **Increase Drug Medi-Cal Funding and Caseload.** The budget requests \$118.9 million (\$62.8 million General Fund) for the Drug Medi-Cal program. This represents a 6.5 percent increase over revised current year funding, due to a net increase of 7.7 percent in program caseload. Methadone treatment represents over 60 percent of Drug Medi-Cal expenditures.
- **Implement Federal Access to Recovery Grant.** The budget includes \$7.6 million in the current year and \$7.6 million in the budget year for a federal Access to Recovery grant. The DADP will use this grant to provide vouchers to substance abusing 12 to 20 year olds for treatment and recovery support services. Youth will be able to choose from an expanded number and type of providers, including faith-based organizations and other nontraditional providers. The DADP requests 2.0 three-year limited-term positions to implement and support the grant.

**Issues**

- 1. Drug Medi-Cal Caseload Increases.** The budget estimates that regular Drug Medi-Cal caseload will increase in the budget year, while Perinatal Drug Medi-Cal caseload is estimated to decrease. In 2004-05, the Legislative Analyst's Office (LAO) reviewed the Drug Medi-Cal program and found that a disproportionately small share of the Drug Medi-Cal budget is spent on women and children.

The Legislature may wish to examine the decline in perinatal caseload, discuss any efforts that have been made to increase the number of women and children in treatment programs, and discuss efforts the department has made to address other issues raised in the LAO report.

- 2. Drug Medi-Cal Provider Rates Held at 2002-03 Levels.** The 2004 Budget Act reduced Drug Medi-Cal provider rates to 2002-03 levels during 2004-05. The budget proposes to maintain rates at the 2002-03 level in the budget year, to achieve savings of \$7.2 million (\$3.7 million General Fund).

The Legislature may wish to consider the effects on providers of maintaining Drug Medi-Cal rates at the 2002-03 level, and the potential for methadone clinic closures if rates are not increased.

- 3. Report Due on Quality Improvement Assessment Fee (QIAF) for Methadone Clinics.** The 2004 Budget Act included budget bill language to require the DADP to report to the Legislature by January 10, 2005 on the feasibility of a QIAF for methadone clinics. If approved by the federal government, a QIAF would allow a fee to be assessed on clinics, and the fee revenue used to draw down additional federal funds.

Upon receipt of the report, the Legislature may wish to consider the feasibility of a QIAF for methadone clinics.

- 4. Proposition 36 Results are Emerging.** Proposition 36 provides drug treatment instead of incarceration for certain first or second time non-violent adult drug offenders. This law also appropriates \$120 million annually through 2005-06 for drug treatment. Researchers at the University of California at Los Angeles (UCLA) are currently evaluating the results of Proposition 36.

While the program shows preliminary evidence of effectiveness, the Legislature may wish to review those results and consider options to improve the program, particularly as 2005-06 is the last year of statutory appropriation for treatment under Proposition 36. Although the state must continue spending this amount after 2005-06 to meet its maintenance of effort requirement for the federal Substance Abuse Prevention and Treatment Block Grant, the funding may be used for other drug and alcohol services beyond Proposition 36 clients.

**4700 Department of Community Services and Development**

The Department of Community Services and Development (DCSD) distributes federal and state funding to local entities that provide energy and weatherization assistance and a variety of other community services for low-income households. The budget proposes \$170.4 million for 2005-06, a 4.8 percent reduction compared to current year funding.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Program Funding</b>				
Energy Programs	\$110,048	\$105,105	-\$4,943	-4.5
Community Services	67,399	65,301	-\$2,098	-3.1
Naturalization Services	1,500	0	-\$1,500	-100.0
<b>Source of Funding</b>				
General Fund	\$1,500	\$0	-\$1,500	-100.0
Petroleum Violation Escrow Account	0	4,049	4,049	0.0
Federal Trust Fund	171,359	164,248	-7,111	-4.1
Reimbursements	6,088	2,109	-3,979	-65.4
Total	\$178,947	\$170,406	-\$8,541	-4.8

### Highlights

- **Eliminate Naturalization Services Program.** The budget proposes to eliminate the Naturalization Services Program to achieve savings of \$1.5 million General Fund. This program is funded entirely by the General Fund, and is the only component of the DCSD that uses General Fund resources.
- **Implement Additional Low-Income Energy Assistance.** The budget proposes to spend \$4.0 million in recently received one-time Petroleum Violation Escrow Account funds for the Low-Income Home Energy Assistance Program (LIHEAP). This funding is in addition to the \$101.1 million in existing federal funds provided for LIHEAP in the budget year. This program subsidizes household energy costs and weatherization services for low-income households. The department indicates that the additional funding will be used to weatherize 3,320 additional low-income households.

### Issues

- **Elimination of Naturalization Services.** The budget proposes to eliminate the Naturalization Services Program, which assists legal permanent residents obtain citizenship. This program funds local organizations that conduct outreach, intake and assessment, citizenship application assistance, citizenship testing and interview preparation. In 2005 the program is expected to assist an average of 12,000 individuals in the completion of citizenship applications. The program spends an average of \$125 per client. Total funding for the program in 2004-05 was \$1.5 million General Fund.

The Legislature may wish to consider the effectiveness of the Naturalization Services program, and whether this program increases the number of immigrants that become citizens. The Legislature may also wish to consider the effect of naturalization services and increased citizenship rates on the state's ability to draw down additional federal funds for cash

assistance, Medi-Cal, and Food Stamp benefits. Further, it may be helpful for the Administration to report on funding for naturalization services in the Department of Education and other areas of the budget.

## 5160 Department of Rehabilitation

The Department of Rehabilitation assists people with disabilities to obtain and retain employment and maximize their ability to live independently in the community. The department operates the Vocational Rehabilitation (VR) program, funded primarily with federal funds, to provide vocational services to persons with disabilities. Some of these services are provided through cooperative agreements with other state and local agencies (education, mental health, welfare). The department also provides support services for Community Rehabilitation Programs, including independent living centers. The budget proposes total funding of \$345.1 million, a reduction of less than one percent from the current year.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Program Funding</b>				
Vocational Rehabilitation Services	\$322,529	\$325,532	\$3,003	0.9
Support of Community Facilities	19,735	19,747	12	0.1
<b>Source of Funding</b>				
General Fund	\$43,348	\$44,198	\$850	2.0
Vending Stand Account	3,394	3,447	53	1.6
Federal Funds	287,622	289,572	1,950	0.7
Reimbursements	7,900	7,900	0	0.0
Total	\$342,264	\$345,117	\$2,853	0.8

### Highlights

- **Increase Vocational Rehabilitation (VR) Caseload.** Budget year VR caseload is estimated to rise to 122,958 total cases, an increase of 2.2 percent over revised current year caseload. The budget includes a 0.9 percent increase in total VR costs.

## 5175 Department of Child Support Services

The Department of Child Support Services (DCSS) administers the child support enforcement program operated by local child support agencies. The Department provides state direction to assure that child support funds are collected and distributed to families, including securing child



and spousal support, medical support, and determining paternity. The Department has responsibility for addressing federal fiscal sanctions related to California's failure to develop adequate automation systems for child support services. The department oversees local program and fiscal operations, administers the federal Title IV-D state plan for securing child support, and monitors state results on federal performance standards.

The budget anticipates collections of \$2.4 billion in the budget year, an increase of 1.7 percent over the current year. The department's overall budget expenditures are proposed to increase by \$279.2 million, or 25.5 percent, to \$1.4 billion. The budget also requests the establishment of 10.5 new positions, and continuing authority for 25.4 limited-term positions that would otherwise expire.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
General Funds	\$302,642	\$508,155	\$205,513	67.9
Federal Funds	504,565	568,972	\$64,407	
Reimbursements	122	123	1	0.8
Child Support Collection Recovery Fund	287,978	297,305	9,327	3.2
Total	\$1,095,307	\$1,374,555	\$279,248	25.5

### **Highlights**

- **Automation Systems:**

- 1) **Fund Federal Penalty for Child Support Automation.** The budget includes \$218 million General Fund for the anticipated September 2005 payment of the federal child support automation penalty for federal fiscal year 2005. The state has been required to pay an increasing penalty each year since 1997 due to the state's failure to implement a single statewide child support automation system. The DCSS is currently developing the California Child Support Automation System (CCSAS), which, when completed, would allow the state to avoid future penalties.
- 2) **Continue Development of CCSAS Child Support Enforcement (CSE) Component.** The CSE component of CCSAS will provide a statewide central database for case management, financial management, and interstate communication. The budget includes an additional \$53.4 million (\$26.3 million General Fund) and the redirection of 1.5 existing DCSS position and reestablishment of 1.5 expiring limited-term positions to continue development of this system. This component is scheduled to be completed by September 2008.
- 3) **Continue Development of CCSAS State Disbursement Unit (SDU) Component.** The SDU component of CCSAS will provide statewide collections and electronic disbursement. The budget includes an additional \$24 million (\$7.6 million General

Fund) and 37.0 positions (10.5 new and 26.5 redirected) to continue development of this system. This component is scheduled to be completed by August 2008.

- 4) **Consolidate and Maintain Existing Automation Systems.** In recent years the DCSS has been consolidating data from the 30 existing local automation systems into two systems. As these efforts are almost complete, the budget reflects a reduction of \$17.7 million General Fund compared to current year funding for consolidation. Current year funding also reflects a shift of \$15.5 million from federal funds to the General Fund, as the federal Administration for Children and Families has indicated it will not provide federal funds for conversion efforts.
- **Delay and Reform the Compromise of Arrears Program (COAP).** The budget proposes \$721,000 (\$245,000 General Fund) to maintain 9.0 of 23.0 expiring limited-term positions to redesign and implement the COAP. This program offers reduced lump sum settlements to parents in exchange for their commitment to make ongoing payments. The DCSS indicates this program cannot be implemented as initially designed, and proposes to delay implementation and retool the program design.
- **Maintain 4.0 Positions for Administrative Hearings.** The budget proposes to make permanent 4.0 expiring limited-term positions in the Department of Social Services (DSS) that conduct child support administrative hearings. These positions are co-located in the DSS with staff that provide administrative hearings for a number of other programs, including Food Stamps and CalWORKs. The cost to maintain these positions is \$498,000 (\$169,000 General Fund), which the DCSS provides to the DSS as reimbursements. These positions are among 7.0 positions originally established in 2003-04 to address increased hearing workload. The DCSS indicates that the number of hearings has declined since 2003-04, and that only 4.0 positions are necessary on an ongoing basis.

### **Issues**

1. **Full Federal Penalty Will be Assessed in 2005-06.** Since 1997, California has been subject to substantial federal penalties due to the state's failure to establish a single statewide system for the collection of child support. The penalties are a percentage of program administration costs, with an increasing percentage each year. California has reached the maximum percentage level at 30 percent of administrative costs. The budget includes \$218 million General Fund in 2005-06 for the federal fiscal year 2005 penalty. The 2004 Budget Act did not include funding for this penalty, as the payment was deferred to September 2005, which is in the last quarter of federal fiscal year 2005.

The Administration indicated in May 2004 that it would request early federal certification of automation system compliance in September 2005, which would reduce the penalty by 90 percent. In October 2004 the federal government told the Administration that certification would not be approved until full CCSAS SDU implementation occurs in all counties, and no penalty reduction would be approved until full implementation. This results in continued full annual federal penalties from September 2005 through August 2008, when the CCSAS SDU component is scheduled for completion.

The budget requests \$14 million to implement the initial phase of the SDU component more quickly. The overall timeline for project completion would remain the same.

The Legislature may wish to review the status of CCSAS development, discuss whether the additional funding is cost-effective, and review a cost-benefit analysis of federal funding for CCSAS that is scheduled to be provided by the department by March 1, 2005. Further, the Legislature may wish to request that the Administration continue to pursue federal penalty relief, as development of the required automation system is underway.

2. **State Scores Below Average on Child Support Performance Measures.** The state receives federal financial incentives and penalties based on five performance measures applied to local child support agency performance. In federal fiscal year 2002 California's average score ranked 41<sup>st</sup> among 54 states and territories on federal performance measures. In particular, the state ranks well below the national average on cost effectiveness. As the budget estimates only a modest 1.7 percent increase in revenues (despite recent funding for collection enhancement discussed below), the anticipated federal incentives for 2005-06 remain essentially unchanged at \$47.3 million.

The Legislature may wish to review the most recent federal performance results, the demographic and other factors that contribute to those results, and strategies for improvement.

3. **COAP Implementation Delayed.** The Budget Act of 2003 established the COAP to address the significant amount of child support arrears debt in the state. This program offers reduced lump sum settlements to parents in exchange for their commitment to make ongoing payments. The DCSS indicates that due to automation system constraints, this program cannot be implemented as initially designed. The budget proposes to retool the program and extend 9.0 of the 23.0 positions initially provided for this program. Of the \$10 billion in child support arrears owed in California, the department estimates that approximately \$4.5 million will be collected in the current year and \$17.1 million will be collected in the budget year as a result of initial COAP efforts.

The Legislature may wish to ask the department to report on the initial results and findings in COAP pilot counties, and proposed efforts to reform this program. In particular, the Legislature may want to review how the automation system challenges may be addressed, particularly in the context of concurrent CCSAS development.

## 5180 Department of Social Services

The Department of Social Services administers a variety of programs with four major goals: (1) provide temporary cash assistance and services to encourage low-income families with children to attain self-sufficiency by moving from welfare to permanent employment; (2) provide social services to elderly, blind, disabled and other adults and children, protecting them from abuse, neglect and exploitation, and helping families stay together and in the community; (3) regulate group homes, preschools, foster care homes, day care and residential care facilities to ensure they meet established health and safety standards; and (4) conduct disability evaluations and provide benefit payments for federal and state programs serving the aged, blind and disabled.

The budget proposes \$16.8 billion (\$8.5 billion General Fund) for the DSS, a decrease of \$870 million (\$307 million General Fund). The budget includes a total of 4,270 positions, a net decrease of 9.1 positions from the current year. The major programmatic reductions included in

the budget result in General Fund and federal Temporary Assistance to Needy Families (TANF) fund reductions of approximately \$1.1 billion.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Program Funding *</b>				
CalWORKs	\$5,133,372	\$4,615,792	-\$517,580	-10.1
SSI/SSP and CAPI	3,444,020	3,523,082	79,062	2.3
IHSS	3,612,887	3,096,078	-516,809	-14.3
Child Welfare Services	1,869,340	1,985,033	115,693	6.2
Foster Care, Kin-GAP, and Adoptions Assistance	1,627,263	1,654,330	27,067	1.7
Other County Admin and Automation, Adult Protective Services, Juvenile Treatment and Probation	1,540,675	1,485,972	-54,703	-3.6
State Operations: Community Care Licensing, Disability Evaluation, Program Administration	\$466,343	\$463,758	-\$2,585	-0.6
<b>Source of Funding</b>				
General Fund	\$8,763,405	\$8,456,037	-\$307,368	-3.5
Emergency Food Assistance Fund	351	442	91	25.9
Cont. Care Provider Fee Fund	1,001	1,010	9	0.9
Technical Assistance Fund	23,951	23,955	4	0.0
Certification Fund	1,178	1,187	9	0.8
Child Health and Safety Fund	1,368	2,049	681	49.8
Employment Training Fund	40,039	40,039	0	0.0
State Children's Trust Fund	6,883	2,771	-4,112	-59.7
Transitional Housing for Foster Youth Fund	545	546	1	0.2
Child Support Collections Recovery Fund	14,356	14,796	440	3.1
Child Welfare Services Program Improvement Fund	0	500	500	0.0
Federal Funds	6,112,806	6,038,835	-73,971	-1.2
Reimbursements	2,728,017	2,241,878	-486,139	-17.8
<b>Total</b>	<b>\$17,693,900</b>	<b>\$16,824,045</b>	<b>-\$869,855</b>	<b>-4.9</b>

\* Note that all programs except SSI/SSP and State Operations also receive a combined total of \$1.4 billion annually in county share of cost funding. County funding is not reflected in the tables above, but is included in the program funding discussions below to provide a more complete analysis of program expenditures. The SSI/SSP program also includes almost \$5.2 billion in federal funds which are not included in the state budget, as they are provided directly to recipients.

**California Work Opportunity and Responsibility to Kids (CalWORKs) Program**

- **Program Description.** CalWORKs provides cash benefits and welfare-to-work services to children and their parents or caretaker relatives who meet specified eligibility criteria including having a family income below the CalWORKs minimum basic standard of adequate care, having less than \$2000 in resources, and having a car valued at \$4,650 or less. The average family of three must have an annual net income below \$12,066, or 77 percent of the federal poverty level, to be eligible for CalWORKs. Program recipients are required to participate in welfare-to-work activities and perform a minimum of 32 hours of work or work-related activities per week to remain eligible for benefits. Adults have a lifetime limit of five years (60 months) in CalWORKs.
- **Enrollment Summary.** After peaking in March of 1995, CalWORKs enrollment has dropped by 48 percent through 2004. Enrollment has decreased by 33 percent since CalWORKs replaced the former Aid to Families with Dependent Children (AFDC) program in 1998. The caseload decline is due to a combination of demographic trends (such as decreasing birth rates for young women), California's economic expansion, and full implementation of welfare reform. After years of declines, enrollment bottomed out in 2003-04, and is projected to increase by 1.9 percent in 2004-05.

The budget proposes significant reductions in the CalWORKs program, resulting in a caseload decrease of 0.8 percent below current year, or 472,786. Without those reductions, average monthly enrollment would have been 486,425 cases.

- **Funding Summary.** CalWORKs is funded through an annual federal Temporary Assistance for Needy Families (TANF) block grant of \$3.7 billion, plus \$2.7 billion in state funds to meet a federal Maintenance of Effort (MOE) requirement. The state's MOE is based on welfare spending in 1994, adjusted downward for achievement of certain work participation goals. Federal law requires states to spend TANF funds on current and former welfare recipients, with limited exceptions. Accordingly, California spends most federal TANF funds on CalWORKs, and directs some TANF and state MOE funding to activities in other departments.

The budget proposes total TANF/MOE funding of \$5.9 billion (\$4.7 billion of which will be spent on the CalWORKs program and \$1.2 billion to support non-CalWORKs federally allowable activities). This constitutes a \$528 million, or 10 percent decrease in CalWORKs expenditures from the current year.

**CalWORKs Highlights**

- **Reduce CalWORKs Grants by 6.5 percent.** The budget proposes to reduce the maximum aid payment under CalWORKs by approximately 6.5 percent, resulting in savings of \$212 million. For a typical family of three, the maximum monthly grant would be reduced from \$723 to \$676.
- **Eliminate CalWORKs Cost of Living Adjustment (COLA).** The budget proposes to suspend the July 2005 COLA, and permanently suspend all future CalWORKs COLAs, resulting in savings of \$162 million.

- **Increase Earned Income Disregard.** The budget proposes to reduce the Earned Income Disregard for CalWORKs families, resulting in \$80 million savings. According to the Legislative Analyst, a family of three earning \$1,000 would see their monthly grant reduced by \$93, in addition to the grant reduction already noted.
- **Increase Sanctions and Work Requirements.** The budget proposes to expand the CalWORKs work participation reforms that were included in the 2004 Budget Act. The additional reforms are not specified, but will be based on the result of a pending evaluation of CalWORKs sanction policies, and are estimated to result in savings of \$12 million.
- **Reduce Employment Services Funding.** The budget proposes to eliminate \$50 million in 2005-06 that was included in the 2004 Budget Act for CalWORKs employment services.
- **Child Care Reform.** The budget proposes to reduce license-exempt child care reimbursement levels, and establish a tiered reimbursement structure for all child care providers to encourage additional provider training, resulting in savings of \$61 million in the DSS, and \$53 million TANF savings in the Department of Education.
- **County Pay for Performance Proposal.** The budget proposes to tie county administration funding to CalWORKs client work participation outcomes. County allocations for 2006-07 would be adjusted based on employment and work participation rates in 2005-06. This proposal would result in savings of \$22 million, due to lower grant costs as clients increase earnings and the number of hours work.
- **Transfers TANF to non-CalWORKs Programs.** The budget proposes to increase TANF fund transfers to support non-CalWORKs activities. The budget proposes the following new or increased TANF transfers: \$55 million to the Foster Care program, \$60 million to the Department of Developmental Services, \$201 million to county probation facilities.
- **CalWORKs 60-month Time Limit.** The budget includes \$92 million in additional grant and services savings to reflect 17,000 additional CalWORKs cases reaching their 60-month eligibility time limit.
- **Prospective Budgeting.** The budget includes \$76 million in additional county administration savings due to prospective budgeting/quarterly reporting.

### ***CalWORKs Issues***

The budget includes total CalWORKs reductions of \$641 million General Fund/TANF. As a result of these reductions, average monthly caseload would be reduced by 13,639 cases.

1. **Increase Earned Income Disregard.** The budget proposes to reduce the Earned Income Disregard for CalWORKs families. This proposal would result in savings of \$79.5 million in 2005-06 and \$109.3 million annually, thereafter. Current law allows the first \$225 of income per month to be exempt under CalWORKs eligibility guidelines, plus 50 percent of any remaining income. The budget's proposal would reduce the income disregard to \$200 and 40 percent of remaining income. This proposal would reduce the level at which low-income working families remain eligible for CalWORKs benefits, and would affect 112,669 families in 2005-06.

The Legislature may wish to consider the effect of this proposal on work participation rates, and the effect it may have on participants' work incentives. The Legislature may also wish to consider how regional unemployment rates and other local factors would affect the results of this proposal. In addition, the Legislature may wish to review how this proposal would affect the amount of Food Stamps and other benefits that participants may receive.

- 2. CalWORKs Grant Reduction and Suspension of COLAs.** The budget proposes to reduce CalWORKs grants by 6.5 percent, suspend the July 2005 CalWORKs COLA, and permanently suspend all future COLAs, for combined General Fund savings of \$376 million.

The proposed CalWORKs grant changes would have a combined effect of reducing the maximum monthly grant for a family of three with no earnings from \$723 to \$676, a reduction of \$47 per month. The reduction would be partially offset by an increase in Food Stamp benefits. The proposed grant level of \$676 per month is lower than the amount provided to AFDC recipients in 1989, although the purchasing power of the grant in 2005-06 would be 60.7 percent of the 1989 level. Absent the 6.5 percent reduction, the July 2005 COLA would have increased the maximum CalWORKs grant to \$757 per month for a family of three.

In addition to decreasing resources available to very low-income families, the grant reductions and increase in the earned income disregard will make 13,639 families ineligible for CalWORKs cash assistance, a caseload reduction of 2.8 percent. The average monthly number of children in families that would no longer receive grants is 35,092. All remaining children (average monthly 959,320) would be in families with grants reduced in 2005-06 as a result of the reductions.

CalWORKs recipients spend most of their grants on rent and utilities. According to the U.S. Department of Housing and Urban Development, fair market rents for a one-bedroom apartment in California average \$878 per month and range from \$417 in Modoc County to \$1475 in Santa Clara County, compared to the proposed maximum monthly grant of \$676 for a family of three. Since 1990, the net results of suspended COLAs and reductions to CalWORKs grant levels have reduced the purchasing power of the grant by 34 percent.

The Legislature may wish to consider the combined effect of the proposed grant changes and the increase in the earned income disregard, and the effect of both proposals on families who will become ineligible for aid. The Legislature may also wish to consider the effect of grant changes on CalWORKs exits and work participation rates. Further, the Legislature may consider the future effects on low-income families of the proposed permanent suspension of CalWORKs COLAs, particularly as housing, transportation, and utility costs continue to rise.

The Legislature may wish to consider the overall pressure on the CalWORKs budget, the proposed reforms and grant changes, and determine the appropriate balance between funding for CalWORKs services and grants.

- 3. Increase Sanctions and Work Requirements and Reduce Employment Services.** The budget proposes to expand the CalWORKs work participation reforms that were included in the 2004 Budget Act. The additional reforms are not specified, but will be based on a pending evaluation of CalWORKs sanction policies, and are estimated to result in savings of

\$12 million in 2005-06. The budget also reduces funding for employment services by \$50 million.

The Legislature may wish to discuss the results of the evaluation of CalWORKs sanction policies, and consider how those results may be affected by the proposal to reduce funding for employment services. The Legislature may also wish to consider the characteristics of families that are most likely to be affected by proposed sanction policies, why those families are being sanctioned, and effective strategies for curing their sanction status.

4. **Child Care Redesign.** The budget proposes various reforms intended to facilitate equitable access to care, promote quality of care, and reduce costs. These reforms include \$60.8 million Stage 1 savings and \$52.5 million Stage 2 savings (in the Department of Education budget) due to a tiered reimbursement structure that reduces rates but provides rate adjustments for providers with additional training or higher environmental rating scale evaluations, and \$8 million (\$1.8 million Stage 1) savings due to implementation of an alternative rate-setting mechanism for providers that serve only subsidized families. Further details of proposals are discussed under the California Department of Education (CDE).

The Legislature may wish to request further information from the Administration on how this proposal would be implemented. For example, how would providers be notified of these changes, and how much advance notice would they receive before the rate reduction? How would existing child care contracts with the CDE be affected by the proposals? Would rates be adjusted throughout the year if additional training requirements are satisfied? The Legislature may also wish to consider the cost and availability of training classes that providers would need to qualify for additional reimbursement.

5. **CalWORKs Work Participation Reforms and Federal TANF Reauthorization.** The 2004 Budget Act included CalWORKs work participation reforms to prepare the state for CalWORKs program changes under potential TANF reauthorization bills that may be enacted by Congress in the near future. These reforms are intended to increase the program's "work first" approach and engage families as soon as possible in services they need to become self-sufficient. The Legislature may wish to ask the department and counties to report on their progress in implementing these reforms and describe any early results of these efforts.

Federal law established the TANF program in 1996, with an expiration of 2002. However, Congress was unable to pass a reauthorization bill before September 2002, and the program has since been funded through a series of continuing resolutions. The current resolution expires on March 31, 2005. The Legislature may also wish to have the department report on the status of federal TANF reauthorization bills.

6. **October 2003 COLA.** From 2000-01 through 2003-04, statute authorized an additional CalWORKs COLA in October of each year so long as Vehicle License Fee (VLF) tax relief was also implemented. Governor Davis suspended the VLF tax relief in June 2003, which triggered the suspension of the October 2003 CalWORKs COLA. However, Governor Schwarzenegger rolled back the VLF tax increase and did not restore funding for the October 2003 COLA. A court ruling in 2004 found that the October 2003 COLA was required, but the Administration is appealing the ruling, and funding for the COLA was not included in the



budget. Funding this COLA would result in costs of \$228 million for retroactive payments, and \$134 million in ongoing annual costs.

7. **TANF Transfers to Other Programs.** CalWORKs is funded through the TANF block grant, plus state funding to meet the federal MOE requirement. Until 2004-05, CalWORKs funding had been limited by broadening definitions of expenditures counted toward the TANF MOE requirement and TANF transfers to non-CalWORKs programs. Although the MOE requirement is primarily met through expenditures on CalWORKs and other DSS programs, expenditures in other departments are also used to satisfy the MOE. At the same time, caseload has continued to flatten after many consecutive years of decline, COLAs have increased grant payments, and total funding for CalWORKs has not grown above the minimum amount needed to meet the MOE.

The combined effect of these policies is that the state has had to reduce components of the CalWORKs program to fund other priorities. The 2004 Budget Act addressed this issue through a one-time change that eliminated the use of TANF funds for juvenile probation services, reduced most TANF transfers to Title XX, and changed the definition of child care expenditures counted toward the MOE.

The budget proposes to increase TANF fund transfers to non-CalWORKs activities by \$316 million, including \$55 million to the Foster Care program, \$60 million to the Department of Developmental Services, and \$201 million to county probation facilities. Reducing the TANF funding from these programs would require a corresponding General Fund backfill to maintain total funding for these programs at the level proposed in the budget.

The Legislature may wish to consider the feasibility of developing a prioritization for TANF funding, and whether this additional TANF funding for non-CalWORKs programs is consistent with Legislature's overall budget priorities.

### **Food Stamps Program**

- **Program Description.** The Food Stamps program provides food benefits via Electronic Benefit Transfer (EBT) cards to eligible low-income families and individuals. The DSS provides statewide oversight, and counties perform eligibility determination functions. Families eligible for CalWORKs are automatically eligible for Food Stamp benefits. Low-income working families and individuals are also eligible for Food Stamp benefits, even if they have not enrolled in the CalWORKs program.
- **Enrollment Summary.** The department estimates that average monthly Food Stamp caseload in 2005-06 will be 2.1 million persons, a 4.9 percent increase over 2004-05. Approximately 57 percent of these beneficiaries are not receiving cash assistance. The proportion of "non-assistance" Food Stamp caseload in the program has grown significantly in recent years, and increased enrollment among non-assistance households has been the driving factor in overall program growth since 2000-01.
- **Funding Summary.** Food Stamp benefits are funded entirely by federal funds. These funds are not included in the state budget, as the U.S. Department of Agriculture provides funding

for food directly to beneficiaries via EBT cards. California received approximately \$2.0 billion in Food Stamp benefits in 2004. The federal government also funds 50 percent of the program's administrative costs. The remaining 50 percent is split between the state and counties at a ratio of 70 percent to 30 percent, respectively. The budget anticipates that funding for county administration activities will be \$731.1 million (\$268.3 million General Fund), a decrease of \$17.3 million (\$5.6 million General Fund) compared to the current year.

The state also administers the California Food Assistance Program (CFAP), a state-only food stamp program for legal non-citizens. Total funding for benefits and administrative costs is estimated to be \$24.6 million General Fund in 2005-06, to provide benefits to 21,000 beneficiaries.

### ***Food Stamp Budget Highlights***

- **Food Stamp Simplification Options.** The budget proposes to implement optional federal provisions to simplify the eligibility determination process for the Food Stamp program. Certain eligibility requirements would be aligned with CalWORKs, and a mandatory Standard Utility Allowance (SUA) would be implemented. Effective January 1, 2006, these new eligibility guidelines are expected to result in \$15.7 million in additional federal Food Stamp benefits for 60,000 existing and 6,000 new families in 2005-06. Further increases would be achieved under full year implementation in 2006-07.

### ***Issue for the Food Stamps Program***

- **Are the Proposed Food Stamp Simplification Options Sufficient to Address the State's Low Food Stamp Participation Rate?** At 39.0 percent, California has the lowest Food Stamp participation rate in the nation. The state's low income residents receive only 8.0 percent of all Food Stamp benefits provided by the federal government. While the simplification options included in the budget are expected to increase the participation rate and amount of federal benefits, the Legislature may wish to examine additional strategies to increase the participation rate. As the Legislative Analyst's Office reported in 2004, Food Stamp benefits not only improve the well-being of recipients, but the funding behind the benefits stimulates the state's economy and results in additional General Fund revenue that exceeds the administrative costs of eligibility determination.

### **Supplemental Security Income/State Supplementary Program (SSI/SSP) and Cash Assistance Program for Immigrants (CAPI)**

- **Program Description.** The SSI/SSP program provides cash grants to persons who are elderly, blind and/or too disabled to work and who meet the program's federal income and resource requirements. Beneficiary grants generally reflect the maximum grant less any offsetting personal income. Individuals who receive SSI/SSP are categorically eligible for the Aged, Blind or Disabled Medi-Cal Program with no share of cost, for the In-Home Supportive Services Program, and may be eligible for other programs designed to support individuals living in the community.

The SSI/SSP program is administered by the federal Social Security Administration. The Social Security Administration determines eligibility, computes grants, and disburses monthly payments to recipients.

SSI/SSP grant levels vary based on a recipient's living arrangement, marital status, minor status and whether she or he is aged, blind or disabled. There are over twenty different SSI/SSP payment standards. Both the federal and state grant payments for SSI/SSP recipients are adjusted for inflation each January through Cost-of-Living-Adjustments (COLAs). Federal law provides an annual SSI COLA based on the Consumer Price Index, and state law provides an annual SSP COLA based on the California Necessities Index. As of April 2005, the maximum grant will be \$812 per month for an aged or disabled individual living independently and \$1,437 per month for an aged or disabled couple living independently.

The CAPI program was established in 1997 to provide cash benefits to aged, blind and disabled legal immigrants who became ineligible for SSI as a result of welfare reform. This state-funded program is overseen by the DSS and administered locally by counties. CAPI grants are \$10 less than SSI/SSP grants for individuals and \$20 less than SSI/SSP grants for couples.

- **Enrollment Summary.** The budget projects SSI/SSP average monthly enrollment will grow by 2.4 percent, from 1,189,000 in 2004-05 to 1,216,000 in 2005-06. Approximately 71 percent of recipients are disabled or blind, and the remainder are elderly. Caseload is increasing most rapidly among disabled recipients, at 2.9 percent in 2005-06. Caseload among elderly recipients is expected to increase by 1.4 percent in 2005-06. Total caseload has increased by 2.0 percent or more each year since 1998-99. CAPI caseload is projected to increase by 4.9 percent in 2005-06, to 9,025 average monthly recipients.
- **Funding Summary.** SSI/SSP grants have two components: the SSI component, which is federally funded, and the SSP component, which is state funded. Total funding for SSI/SSP is estimated to be \$8.3 billion (\$3.36 billion General Fund) in 2004-05, and \$8.6 billion (\$3.44 billion General Fund) in 2005-06. General Fund expenditures are projected to increase by 2.4 percent, to reflect an increase in caseload. The federal funds in the SSI portion of the grant are not included in the state budget, as they are federally administered. Total funding for the CAPI program is estimated to be \$81.8 million General Fund in 2004-05 and \$83.3 million General Fund in 2005-06.

### ***SSI/SSP Highlights***

- **Withhold Federal SSI COLA.** The Governor proposes to withhold the January 2006 2.3 percent federal SSI COLA, for savings of \$84.7 million General Fund in 2005-06, and \$169.4 million annually. This is achieved by reducing the SSP component of the grant by the same amount as the federally funded January 2006 SSI COLA.
- **Suspend State SSP COLA.** The Governor proposes to suspend the January 2006 4.6 percent state SSP COLA, for savings of \$174.2 million General Fund in 2005-06, and \$348.4 million General Fund annually.

**SSI/SSP Issues**

- **Withhold and Suspension of SSI/SSP COLAs.** The January 2006 COLAs proposed for suspension would have increased the maximum grant for an individual by approximately \$24 to \$836 per month, and would have increased the maximum grant for a couple by approximately \$46 to \$1,483 per month. Even with those scheduled increases, grant levels have not kept pace with inflation in recent years due to the suspension of the January 2004 SSP COLA and the deferral of the January 2005 COLA until April 2005. Suspension of the January 2006 COLAs would further erode the ability of grant payments to keep pace with cost of living increases, such as rising food, housing, and transportation costs.

California's SSI/SSP beneficiaries are ineligible for Food Stamps benefits and depend on their grants to pay for rent, food, clothing, and other necessities. They spend most of their grants on rent and utilities. According to the U.S. Department of Housing and Urban Development, fair market rents for a studio apartment in California average \$748 per month and range from \$341 in Alpine County to \$1,294 in Santa Clara County. The fair market rent for a studio apartment exceeds the SSI/SSP grant in 13 counties, and exceeds 50 percent of the grant in 40 counties. Since 1990, rent prices have increased by 36 percent and the SSI/SSP purchasing power has declined by 18 percent. Without the COLA, beneficiaries will face additional pressure to reduce spending on food or utilities as housing costs increase.

The Legislature may wish to review and discuss the effect on beneficiaries of not providing SSI/SSP COLAs in 2005-06. The Legislature may also wish to examine strategies to encourage disabled recipients to increase rehabilitation activities and seek or increase employment. In addition, the Legislature may wish to examine the effectiveness of the state's rehabilitation programs, and whether additional funding for such programs would be cost-effective at reducing SSI/SSP costs.

**In-Home Supportive Services (IHSS) Program**

- **Program Description.** The In-Home Supportive Services (IHSS) program funds personal care services for low-income aged, blind or disabled individuals that are at risk for institutionalization. IHSS services include domestic services (such as meal preparation and laundry), nonmedical personal care services, paramedical services, assistance while traveling to medical appointments, teaching and demonstration directed at reducing the need for support, and other assistance. Services are provided through individual providers hired by the recipient, county contracts with service providers, or through welfare staff. County welfare departments visit recipients in their homes to determine the number of authorized hours of service per day.
- **Enrollment Summary.** The budget estimates that IHSS recipients will increase to 382,000 in 2005-06, an increase of 7.7 percent over 2004-05 caseload. Slightly more than half of IHSS consumers are disabled, and slightly less than half are elderly. Persons with developmental disabilities constitute more than 12 percent of the IHSS caseload. Caseload, hours of service by case, and program costs have grown significantly faster than population growth since the mid-1990s.

- **Funding Summary.** The budget proposes \$3.2 billion (\$1.02 billion General Fund) for the IHSS program in 2005-06. This represents a decline of \$512.7 million (\$159.9 General Fund) below the current year funding level. The decline is due to proposed provider wage participation reductions of \$673.1 million (\$206.7 million General Fund), offset by an increase in funding to reflect caseload growth.

IHSS General Fund costs have more than doubled from \$527 million in 1998-99 to \$1.2 billion in 2004-05, despite \$231 million in additional federal funds from a recent federal Medicaid waiver for part of the program. Nonetheless, the average annual cost per individual (approximately \$9,400 in the current year) is still less than one-fifth the cost of nursing home placement. The program's growth rate has been fueled by multiple factors, including the establishment of a state entitlement for personal care services, population increases, and an increase in the proportion of IHSS consumers who are severely disabled, greater utilization of service hours by case, and higher provider rates. In addition, demographic trends and a programmatic shift to support the elderly and persons with disabilities in community settings have increased the number of beneficiaries.

Wage increases have reportedly contributed to enrollment growth and increases in the numbers of hours used, as higher wages have made it easier for beneficiaries to hire providers and fully utilize authorized hours of care. This is in addition to the direct impact of provider wage increases on IHSS costs. The state has participated in IHSS provider wages above the minimum wage since 1999-2000. In the current year the state participates in wages up to \$10.10 per hour, although each county's wage rates are generally determined by the board of supervisors and public authority that negotiates a contract with providers.

### ***IHSS Highlights***

- **Eliminate State Participation in IHSS Provider Wages above Minimum Wage.** The Governor proposes to reduce the level of state participation in IHSS provider wages and benefits from \$10.10 to the state minimum wage of \$6.75, effective October 1, 2005. This would result in savings of \$541.7 million (\$164.0 million General Fund) in 2005-06, and \$217 million in annual General Fund savings.
- **Roll-back Wages to 2004 Levels.** Effective July 1, 2005, the Governor proposes to roll-back state participation in IHSS wage increases that were established under contracts negotiated by nine local IHSS public authorities in the current year. The budget reflects savings of \$131.3 million (\$42.7 million General Fund) in 2005-06 for this proposal.
- **Increase Quality Assurance Savings.** The 2004 Budget Act included an IHSS quality assurance component that is intended to make county determinations of service hours consistent throughout the state. The budget indicates that implementation of this initiative has been delayed two months, to December 2004. The budget reflects \$218.2 million (\$70.9 million General Fund) in savings due to reduced provider payments under this initiative, which is five times more than the \$39.0 million (\$12.7 million General Fund) in expected current year savings.

***IHSS Issues***

- 1. Effects of IHSS Wage Reductions.** Effective October 1, 2005, the budget proposes to reduce the level of state participation in IHSS provider wages and benefits from \$10.10 to the state minimum wage of \$6.75. Effective July 1, 2005, the budget proposes to roll-back state participation in IHSS wage increases that were established under contracts negotiated by nine local IHSS public authorities in the current year. These changes would result in savings of \$673 million (\$207 million General Fund) in 2005-06, and \$260 million in annual General Fund savings. Under the Governor's proposals, counties would have to reduce IHSS provider wages or fund the difference between minimum wage and the negotiated wage with county funds upon expiration of current collective bargaining contracts.

Currently 13 of 41 public authorities offer wages and benefits at or above the maximum reimbursement rate of \$10.10 per hour. Twenty-seven of 41 public authorities offer wages and benefits above the minimum wage level of \$6.75 per hour.

California chose to increase state participation in provider wages to increase the ability of IHSS consumers to hire providers and to reduce turnover among providers. A reduction in IHSS wages may reduce available workers, increase provider turnover rates, decrease the ability of consumers to hire providers, and negatively affect quality of care. Additionally, a decrease in wages may result in an increase in CalWORKs and Medi-Cal costs, as some providers are or would become low-income themselves.

This proposal is inconsistent with the *Olmstead* decision, which requires states to provide services to persons with disabilities in the least restrictive setting possible. The proposed reductions will restrict access to community-based services while demographic changes and a programmatic shift to support elders and persons with disabilities in community settings continue to increase demand for services.

The Legislature may wish to consider how the Governor's proposals will impact California's compliance with the *Olmstead* decision, the effect of the Governor's proposals on persons with disabilities and elders, and the extent to which reduced access to IHSS services will lead to higher provider turnover, increased nursing home placements, and reduced quality of care. The Legislature may also wish to consider the effect of these proposals on county budgets and realignment funding for health and social services. Finally, the Legislature may wish to consider if these proposals are affected by the recently approved Proposition 1A, which expands the definition of a state-reimbursable local mandate.

- 2. Implementation of Quality Assurance Initiative Needs Further Review.** The IHSS Quality Assurance Initiative, established under the 2004 Budget Act, includes: 1) quality assurance functions in each county, 2) state resources for monitoring and supporting county activities, 3) standardized assessment training for county IHSS workers, and 4) periodic written notices to providers that remind them of their legal obligations to submit accurate timesheets. The DSS received 18.0 positions for implementation and ongoing activities. The budget indicates that implementation of this initiative has been delayed by two months, to December 2004. The budget also reflects \$218.2 million (\$70.9 million General Fund) in savings due to reduced provider payments under this initiative, which is five times more than the \$39.0 million (\$12.7 million General Fund) in expected current year savings.

The Legislature may wish to review the department's progress in implementing this program, and may wish to have the department report on the extent of payment fraud and abuse that has been identified thus far. The Legislature may also wish to review the significant increase in budget year savings, and consider any programmatic issues that may be contributing to that increase.

The budget also indicates that the DSS will release a Request for Proposal in 2005-06 to procure an IHSS worker telephone tracking system. This system would be developed in 2006-07 and implemented in each county to minimize fraud and abuse. The Legislature may wish to have the department provide further information on this proposal, including potential start-up costs, long-term savings, and how this system interacts with the CMIPS and CMIPS II payroll systems.

### Children and Family Services Programs

- **Program Descriptions, Caseload, and Funding.** The state administers a continuum of programs and services designed to protect children from abuse, neglect, and exploitation, strengthen families, deliver services to children in out-of-home care, and support the adoption of children with special needs. These programs are operated by county welfare departments. The budget provides \$4.88 billion (\$1.45 billion General Fund) to support children and family services programs.
  - 1) **Child Welfare Services (CWS).** This program encompasses a variety of services designed to protect children from abuse, neglect and exploitation. Services include Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement. Combined average monthly caseload for these programs is estimated to decline by 1.4 percent in the budget year. However, funding for CMS increased by 5.3 percent, to \$2.2 billion.
  - 2) **Foster Care Program.** The state's Foster Care program provides support payments for children in out-of-home care, including foster homes, foster family agencies, residential treatment for seriously emotionally disturbed children and group homes. Average monthly Foster Care caseload is estimated to decrease by 0.2 percent, to 74,200 children. However, the number of children served in group homes and foster family agencies is increasing, while the number of children in foster family homes is decreasing.
  - 3) **Kin-GAP Program.** The Kin-GAP program provides support to children in long-term stable placements with relatives. The projected average monthly caseload is 16,100 children, reflecting an increase of 7.7 percent. Funding for the program is anticipated to increase by a proportionate amount, to \$102.9 million.
  - 4) **Adoption Assistance Program (AAP).** The AAP provides subsidies to promote permanent placement of children that are older, members of sibling groups, have disabilities, or are otherwise difficult to place. Budget year caseload is expected to be 71,000, an increase of 9.4 percent over current year. The budget proposes \$651.8 million (\$280 million General Fund) for this program, which represents a total funds increase of 12.5 percent.

***Children and Family Services Highlights***

- **New CWS Reform Package.** The budget includes \$26.6 million (\$14.7 million General Fund) to expand the use of Differential Response, the California Standardized Safety Assessment System, and enhanced permanency and youth transition standards. Eleven counties currently use these tools to improve safety and child well-being outcomes. This funding would expand this program to eleven additional counties.
- **CWS Federal Grant Funding Declines for Promoting Safe and Stable Families (PSSF) Program.** The budget includes a reduction of \$18.9 million to reflect reduced federal grant funds for the PSSF program. This program provides community-based, family-centered services that focus on supporting and preserving families.
- **Transfer Temporary Aid for Needy Families (TANF) Funds to Foster Care.** The budget proposes to transfer \$55.1 million in TANF funds from CalWORKs to the Foster Care program to offset General Fund support for the Foster Care program. The state's use of TANF funds to support non-CalWORKs programs limits the state's ability to afford the CalWORKs program without additional General Fund spending.

***Issue for Children and Family Services***

- **Proposed CWS Reforms Require Further Review.** Despite three concurrent reform efforts over the last few years and a clear need for improvement, implementation of CWS reform has been sporadic and inconsistent across the state. These reform efforts have intended to address longstanding problems with the state's CWS program and the correspondingly high number of children in Foster Care. California's Foster Care population represents 20 percent of the national Foster Care caseload.

A recent federal review concluded that California is not operating in substantial conformity in all children and family services outcome areas. The state negotiated a Program Improvement Plan (PIP) with the federal government, which outlines steps the state plans to take to improve its outcomes, including timeframes for achieving improvement, and commitments to dozens of specific program performance improvements.

California has also been engaged in the development and implementation of a new system, based on federal performance reviews, to measure specific county outcomes. Chapter 678, Statutes of 2001 (AB 636, Steinberg) requires the state to establish an outcome-based system to evaluate county operations of child welfare services. The new California Child Welfare Outcomes and Accountability System includes web-based reporting of county outcomes, and requires counties to conduct self-assessments and develop system improvement plans.

In addition, California recently concluded its three-year Child Welfare Stakeholders (CWS) Group process, which examined California's child welfare services programs and recommended changes. The group released its CWS Redesign report in September 2003. The Redesign outlines a broad long-term plan to improve the child welfare services system. The plan includes the development of partnerships between CWS agencies and community based organizations, as well as efforts to improve access to preventative services and supportive services for families.



The budget includes \$26.6 million (\$14.7 million General Fund) to expand the use of Differential Response, the California Standardized Safety Assessment System, and enhanced permanency and youth transition standards. Eleven counties currently use these tools to improve safety and child well-being outcomes. This funding would expand this program to eleven additional counties.

The Legislature may wish to consider the expected result of the proposed funding increase. Do the reforms complement each other and existing reform efforts? How will proposed reforms improve outcomes for children and families? Are the proposed funding augmentations the best use of limited resources?

### **Community Care Licensing**

The Community Care Licensing Division (CCLD) of the DSS licenses over 85,000 community care facilities across the state. These facilities have the capacity to serve over 1.4 million clients requiring different types of care and supervision. Licensees include childcare facilities, certified family homes, foster family agencies, residential care facilities for the elderly, residential care facilities for the chronically ill, adoption agencies, transitional housing and adult day care. The CCLD visits a randomly selected 10 percent of facilities annually, and visits all facilities no less than once every five years. At-risk facilities are visited at least annually. The budget does not propose any significant changes to CCLD funding or positions.

### ***Issue***

- **Licensing Reform Proposal Anticipated.** The 2003 Budget Act reduced the frequency of licensing visits to more effectively target CCLD resources. However, that legislation also provided that if the number of citations increased by more than 10 percent, the number of unannounced visits would also increase. The department indicates that the number of citation is projected to increase, and that it has formed a workgroup to review licensing practices and address this increase. This workgroup may also be addressing reports by the Bureau of State Audits (BSA) and the California Performance Review that found some duplication among the various HHS departments that license health and community care facilities. The Legislature may wish to ask the department to report on the progress of the workgroup and provide data on the frequency and severity of facility complaints, citations, and deaths.